

**THIS DOCUMENT IS IMPORTANT.** If you are in any doubt as to what action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. If you have sold or otherwise transferred all of your shares in Spirax-Sarco Engineering plc please pass this document and the accompanying documents (but not the personalised Form of Proxy) as soon as possible to the purchaser or transferee or to the agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

**SPIRAX-SARCO ENGINEERING plc**

**CIRCULAR TO SHAREHOLDERS  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

to be held at

**THE CHASE HOTEL  
SHURDINGTON ROAD  
BROCKWORTH  
GLOUCESTERSHIRE  
GL3 4PB**

on

**TUESDAY, 12TH MAY 2009**

at

**2.00 pm**

The Notice convening the Annual General Meeting appears at the end of this document.

Forms of Proxy for use at the Annual General Meeting should be completed and returned to the Company's Registrar, Equiniti, Aspect House, Spencer Road, Lancing, BN99 6ZX as soon as possible and, in any event, so as to arrive not less than 48 hours before the time of the meeting. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so. Please refer to page 10 for full details.



**SPIRAX-SARCO ENGINEERING plc**  
(Registered in England No. 596337)

**Registered office:**  
**Charlton House**  
**Cirencester Road**  
**Cheltenham**  
**Glos.**  
**GL53 8ER**

27th March 2009

Dear Shareholder,

This letter accompanies the Report of the Directors and the Audited Accounts of the Company for the year ended 31st December 2008.

**NOTICE OF ANNUAL GENERAL MEETING**

You will find the notice of annual general meeting of the Company, which is to be held on 12th May 2009, set out on pages 7 and 8 of this circular. The purpose of this letter is to explain certain elements of the business to be considered at that meeting.

**RE-APPOINTMENT OF DIRECTORS**

Dr. K. Rajagopal will retire in accordance with the articles of association and, being eligible, offers himself for re-appointment.

Mr. M. E. Gibbin will retire in accordance with the articles of association and, being eligible, offers himself for re-appointment.

Mr. W. H. Whiteley will retire in accordance with the articles of association and, being eligible, offers himself for re-appointment.

Details of the directors being re-appointed are as follows:

**Krishnamurthy (Raj) Rajagopal FEng, CEng, FIET, FIMech E, FIE, FCFI PhD (55)** was appointed to the Board as an independent non-executive director on 10th February 2009. He is a member of the Audit, Nomination and Remuneration Committees. He is a non-executive director of Dyson Group plc, W. S. Atkins plc and Bodycote plc. He is also an Audit Commissioner. He was previously an executive director of BOC Group plc.

**Michael Gibbin BSc (Eng), CEng, IMechE (46)** joined Spirax Sarco in 2007 as the UK Supply director responsible for the Cheltenham manufacturing operations. As previously announced Mr. Gibbin will join the Board on 1st May 2009. He will be responsible for the Group's Supply operations in Cheltenham and France and Spirax Sarco operations in North America, the Group's research and development facility and the Group's health and safety and environmental matters. He will be a member of the Risk Management Committee.

**Bill Whiteley BSc FCMA (60)** joined the Group as an independent non-executive director in 2002. Until his retirement in 2008 he was the Chief Executive of Rotork plc. He is Chairman of the Audit and Remuneration Committees, a member of the Nomination Committee and Senior Independent Director. He is a non-executive director of Dialight plc, Brammer plc, Renishaw plc and Chairman of The British Valve and Actuator Association. The Board confirms that Mr. Whiteley continues to perform effectively and demonstrates commitment to his role.

Resolutions 4, 5 and 6 will be proposed for this purpose.

Each Board member recommends that each other director retiring at the forthcoming annual general meeting offers themselves for re-appointment.

### **AUTHORITY TO ALLOT RELEVANT SECURITIES**

At the annual general meeting held in 2008 shareholders authorised the directors, pursuant to section 80 of the Companies Act 1985 ('CA 1985'), to allot relevant securities up to a maximum nominal amount of £6,300,000 representing approximately 33% of the Company's then issued ordinary share capital (excluding shares held in treasury). This authority expires at the conclusion of the forthcoming annual general meeting and it is the directors' intention to seek renewal of this authority annually.

It is therefore proposed that the authority to the directors to allot relevant securities be renewed and that the authority will expire at the conclusion of the annual general meeting to be held in 2010 or, if earlier, on 11th August 2010.

The £6,336,055 nominal amount of relevant securities to which this authority relates represents approximately 33% of the nominal amount of issued share capital of the Company (excluding shares held in treasury) as at 9th March 2009 (being the latest practicable date prior to publication of this circular). The directors have no present intention of exercising this authority.

The Company held 1,194,850 shares in treasury representing approximately 1.57% of the issued share capital (excluding shares held in treasury) of the Company as at 9th March 2009 (being the latest practicable date prior to publication of this circular).

Resolution 8 will be proposed as an ordinary resolution to renew this authority.

### **AUTHORITY TO ALLOT EQUITY SECURITIES**

Also at last year's meeting a special resolution was passed, pursuant to section 95 of the CA 1985, empowering the directors to allot equity securities for cash without first being required to offer such shares to existing shareholders. It is proposed that this authority, which will also include the sale of any shares the Company holds in treasury for cash, be renewed. The £965,344 nominal amount of equity securities to which this authority relates represents approximately 5% of the issued share capital of the Company as at 9th March 2009 (being the latest practicable date prior to publication of this circular).

The directors do not intend to issue more than 7.5% of the total issued share capital of the Company for cash on a non pre-emptive basis in any rolling three-year period without prior consultation with the Investment Committees of the Association of British Insurers and the National Association of Pension Funds.

Resolution 9 will be proposed as a special resolution to renew this authority. This authority will also expire at the conclusion of the 2010 annual general meeting or, if earlier, on 11th August 2010, although it is the directors' intention to seek renewal of this authority annually.

### **SCRIP ALTERNATIVE**

At the annual general meeting held in 2008 shareholders authorised the directors to offer a scrip alternative to any dividend declared or paid in respect of the financial years ending on 31st December 2012. A scrip alternative will not be offered for the financial year ended 31st December 2008, but the directors consider it prudent to maintain the facility to provide this alternative for shareholders should circumstances alter to make a scrip alternative appropriate.

In accordance with the articles of association, resolution 10 will be proposed as an ordinary resolution to renew this authority for five years ending on the date of the annual general meeting to be held in 2014 or, if earlier, on 11th May 2014, although it is the directors' intention to renew this authority annually.

## **AUTHORITY TO PURCHASE ORDINARY SHARES**

A special resolution was also passed at last year's meeting empowering the directors to purchase the Company's shares in the market. It is proposed that this authority also be renewed. The power given by the resolution will only be exercised if the directors are satisfied that any purchase will increase the earnings per share of the ordinary share capital in issue after the purchase and that the purchase is in the interests of shareholders generally. The directors will also give careful consideration to gearing levels of the Company and its general financial position. The purchase price would be paid out of distributable profits. The directors have no present intention of exercising the authority to purchase the Company's ordinary shares but will keep the matter under review.

If the directors exercise the authority conferred by resolution 11, the Company will have the option of holding those shares in treasury rather than cancelling them. No dividends are paid on shares whilst held in treasury and no voting rights attach to treasury shares.

If resolution 11 is passed at the annual general meeting, it is the Company's current intention to hold in treasury the majority of the shares it may purchase pursuant to the authority granted to it. However, in order to respond properly to the Company's capital requirements and prevailing market conditions, the directors will need to reassess at the time of any and each actual purchase whether to hold the shares in treasury or cancel them, provided it is permitted to do so. The Company is only permitted to hold a maximum of up to 10% of its issued share capital in treasury.

The maximum number of shares which may be purchased under the proposed authority will be 7,603,267 shares representing approximately 10% of the issued share capital of the Company (excluding shares held in treasury) as at 9th March 2009 (being the latest practicable date prior to publication of this circular).

The price paid for shares will not be less than the nominal value of 25p per share nor more than the higher of 5% above the average of the mid-market quotations for the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days preceding the day on which the shares are contracted to be purchased and the amount stipulated by Article 5(1) of the EU Buy-back and Stabilisation Regulation.

This proposal should not be taken as an indication that the Company will purchase shares at any particular price or to imply any opinion on the part of the directors as to the market or other value of the Company's ordinary shares.

The total number of options to subscribe for ordinary shares, and the performance share plan awards granted, that were outstanding at 9th March 2009 (being the latest practicable date prior to publication of this circular) was 1,605,644. The percentage of issued share capital (excluding shares held in treasury) that they represented at that time was approximately 2.11% and the percentage of issued share capital (excluding shares held in treasury) that they will represent if the full authority to purchase shares is used will be approximately 2.35%.

Resolution 11 will be proposed as a special resolution to provide the Company with the necessary authority. The authority will expire at the conclusion of the 2010 annual general meeting or, if earlier, on 11th August 2010, unless renewed before that time. It is the present intention of the directors to seek a similar authority annually.

## **LENGTH OF NOTICE OF MEETING**

Resolution 12 is a resolution to allow the Company to hold general meetings (other than annual general meetings) on 14 days' notice.

At last year's annual general meeting, new articles of association were adopted which include a provision allowing general meetings of the Company (other than annual general meetings) to be called on not less than 14 clear days' notice, the minimum notice period provided for in the Companies Act 2006. The 2006 Act provisions relating to meetings are due to be amended with effect from August 2009, as a result of the UK implementation of the EU Shareholder Rights Directive. The Government is still consulting on the detail of the amendments that are to be made and will not publish the final form regulations making the amendments until Spring 2009. One of the amendments to be made will, in accordance with the Directive, increase the minimum notice period for listed company general meetings to 21 days, but with an ability for companies to reduce this period back to 14 days (other than for annual general meetings) provided that two conditions are met. The first condition is that the company offers facilities for shareholders to vote by electronic means. It is not yet clear what this will require and the details will be set out in the final regulations when published. The second condition is that there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 days to 14 days.

The Board is therefore proposing resolution 12 as a special resolution to approve 14 days as the minimum period of notice for all general meetings of the Company other than annual general meetings. The approval will be effective until the Company's next annual general meeting, when it is intended that the approval be renewed.

## **ACTION TO BE TAKEN**

Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy so as to reach the Registrars not less than 48 hours before the time for the meeting. Completion and return of a form of proxy will not prevent you from attending and voting in person at the meeting if you so wish.

## **RECOMMENDATION**

Your directors believe that all the proposals to be considered at the annual general meeting will promote the success of the Company and are in the best interests of the Company and its shareholders as a whole and recommend shareholders to vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 208,414 shares (as at 9th March 2009) representing approximately 0.27% of the existing issued share capital of the Company (excluding treasury shares).

Yours faithfully,

**Mike Townsend**

Chairman

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fifty-second annual general meeting of Spirax-Sarco Engineering plc will be held at The Chase Hotel, Shurdington Road, Brockworth, Gloucestershire, GL3 4PB on 12th May 2009 at 2.00 p.m. to consider and, if thought fit, to pass resolutions 1 to 8 inclusive and 10 as ordinary resolutions and resolutions 9, 11 and 12 as special resolutions.

1. To receive the accounts and the reports of the directors and auditors for the year ended 31st December 2008.
2. To receive and approve the Directors' Remuneration Report for the year ended 31st December 2008, as set out on pages 42 to 49 of the 2008 Annual Report and Accounts.
3. To declare a final dividend for the year ended 31st December 2008 of 23.3p for each ordinary share in the capital of the Company.
4. To re-appoint Dr. K. Rajagopal as a director.
5. To re-appoint Mr. M. E. Gibbin as a director.
6. To re-appoint Mr. W. H. Whiteley as a director, who retires by rotation.
7. To re-appoint KPMG Audit Plc as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the directors to determine their remuneration.
8. That, subject to and in accordance with article 6 of the Company's articles of association, the directors be authorised to allot relevant securities up to a maximum nominal amount of £6,336,055; that this authority shall expire at the conclusion of the annual general meeting to be held in 2010 or, if earlier, on 11th August 2010 and that all previous authorities under section 80 of the Companies Act 1985 shall cease to have effect.
9. That:
  - (a) subject to and in accordance with article 7 of the Company's articles of association, the directors be empowered to allot equity securities for cash;
  - (b) the directors be empowered to allot equity securities for cash within section 94(3A) of the Companies Act 1985 as if section 89(1) of the Act did not apply;
  - (c) the powers under paragraph (a) above (other than in connection with a rights issue) and paragraph (b) above shall be limited to the allotment of equity securities having a maximum nominal amount of £965,344;
  - (d) these authorities shall expire at the conclusion of the annual general meeting to be held in 2010 or, if earlier, on 11th August 2010; and
  - (e) all previous authorities under section 95 of the Companies Act 1985 shall cease to have effect.
10. That approval be and is hereby given to the exercise by the directors of the power conferred upon them by article 110 of the Company's articles of association in respect of any dividends declared or paid in the period up to and including the date of the annual general meeting to be held in 2014 or, if earlier, 11th May 2014.

- 11.** That the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Companies Act 1985) of ordinary shares of 25p each in the capital of the Company ('ordinary shares') on such terms and in such manner as the directors of the Company may from time-to-time determine provided that:
- (a) the maximum number of ordinary shares that may be purchased pursuant to this authority is 7,603,267;
  - (b) the maximum price which may be paid for an ordinary share purchased pursuant to this authority is the higher of (i) an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is contracted to be purchased and (ii) the amount stipulated by Article 5(1) of the EU Buy-back and Stabilisation Regulation (being the higher of the price of the last independent trade and the highest current independent bid for an ordinary share in the Company on the trading venues where the market purchases by the Company pursuant to the authority conferred by this resolution 11 will be carried out) and the minimum price which may be paid is 25p per ordinary share (in each case exclusive of expenses payable by the Company); and
  - (c) this authority will expire at the conclusion of the annual general meeting of the Company to be held in 2010 or, if earlier, on 11th August 2010 unless renewed before that time, but the Company may make a contract to purchase ordinary shares under this authority before its expiry which will or may be executed wholly or partly after the expiry of this authority, and may make a purchase of ordinary shares in pursuance of any such contract.
- 12.** That a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.

By order of the Board

Registered Office:  
Charlton House  
Cirencester Road  
Cheltenham  
Glos.  
GL53 8ER

**W. G. Stebbings**  
Company Secretary & Solicitor

Registered in England No. 596337  
27th March 2009

## Notes

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to exercise all or any of his/her rights to attend and to speak and vote instead of him/her. A shareholder may appoint more than one proxy in relation to the annual general meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a member of the Company.
2. Any shareholder with more than one ordinary shareholding registered in his/her name should receive only one copy of the Annual Report and one Form of Proxy. The Form of Proxy will be valid in respect of all his/her holdings. If you do not have a Form of Proxy and believe you should have one, or if you require additional Forms, please contact the Company's Registrars, Equiniti on 0871 384 2349.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and the articles of association of the Company, the Company specifies that only those ordinary shareholders registered in the register of members of the Company as at 6.00 p.m. on 10th May 2009 (or, in the event of any adjournment, 6.00 p.m. on the date which is two days before the time of the adjourned meeting) shall be entitled to attend (either in person or by proxy) and vote at the meeting or adjourned meeting in respect of the number of shares registered in their names at that time. Changes to the register of members after the relevant deadline shall be disregarded in determining the right of any person to attend and vote (and the number of votes they may cast) at the annual general meeting or adjourned meeting.
4. Copies of directors' service contracts and non-executive directors' letters of appointment with the Company and any of its subsidiaries are available for inspection at the registered office of the Company during normal business hours on any weekday, except Saturdays, Sundays and public holidays, and at the place of the meeting on 12th May 2009 for at least 15 minutes prior to and during the meeting.
5. Shareholders (and any proxies or representatives they appoint) agree, by attending the meeting, that they are expressly requesting and that they are willing to receive any communications (including communications relating to the Company's securities) made at the meeting.
6. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy cannot be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him/her and the member by whom he/she was nominated to be appointed as a proxy for the meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
7. As at 9th March 2009 (being the latest practicable date prior to the publication of this Notice) the Company's issued share capital consists of 77,227,516 ordinary shares carrying one vote each. The Company holds 1,194,850 ordinary shares in treasury and is not permitted to exercise voting rights in respect of those shares. Therefore the total voting rights in the Company are 76,032,666.
8. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.

### Guidance notes for completion of the Form of Proxy

9. If you wish to appoint a proxy to attend and to speak and vote on your behalf, please complete the enclosed Form of Proxy and return it, together with any power of attorney or other authority (or a duly certified copy of such power or authority) under which it is executed, to the Company's Registrars, Equiniti, so as to be received no later than 2.00 p.m. on 10th May 2009.
10. A proxy need not be a shareholder of the Company but must attend the meeting to represent you. The appointment of a proxy will not prevent you from attending and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.
11. You can appoint the Chairman of the meeting, or any other person, as your proxy. If you wish to appoint someone other than the Chairman, cross out the words 'the Chairman of the meeting or' on the Form of Proxy and insert the name of your proxy in the box provided.

12. You can instruct your proxy how to vote on each resolution by placing an 'X' in the For, Against or Vote Withheld boxes, as appropriate. If you do not indicate on the Form of Proxy how your proxy should vote, he/she can exercise his/her discretion as to whether, and if so how, he/she votes on each resolution, as he/she will do in respect of any other business which may properly come before the meeting.
13. You must sign and date the Form of Proxy in the boxes provided. In the case of joint shareholders, only one need sign the Form of Proxy. The vote of the senior joint shareholder will be accepted to the exclusion of the votes of the other joint shareholders. For this purpose, seniority will be determined by the order in which the names of the shareholders appear in the register of members in respect of the joint shareholding. If the Form of Proxy is signed by someone else on behalf of the registered holder(s), the appropriate power of attorney or other authority (or a duly certified copy of such power or authority) under which it is executed must be returned with the Form of Proxy.
14. A corporation should execute the Form of Proxy under its common seal or otherwise in accordance with Section 44 of the Companies Act 2006 or by signature on its behalf by a duly authorised officer or attorney whose power of attorney or other authority should be returned with the Form of Proxy.
15. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
16. In order for a proxy appointment or instruction made using the CREST voting service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual. All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy which are to be transmitted through CREST must, in order to be valid, be transmitted so as to be received by Equiniti, (CREST participant ID RA19) no later than 2.00 p.m. on 10th May 2009, or, if the meeting is adjourned, not less than two days before the time of the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
17. CREST members and, where applicable, their CREST sponsor, or voting service provider(s) should note that EUI does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
18. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.



